

**EXECUTIVE SECRETARIAT  
ROUTING SLIP**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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9	Chm/NIC				
10	GC				
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13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/ECON		X		
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SUSPENSE

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Remarks

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3637 (10-81)

1 Oct 84

Date



OFFICE OF THE SECRETARY OF THE TREASURY  
WASHINGTON, D.C. 20220

September 25, 1984

Executive Registry  
84. 8065/1

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(With Confidential Attachment)

MEMORANDUM FOR OVP  
STATE  
DEFENSE  
AGRICULTURE  
COMMERCE  
OMB  
CIA  
USTR  
NSC  
OPD  
CEA  
FED  
AID  
EXIMBANK

- MR. G. PHILIP HUGHES  
- MR. CHARLES HILL  
- COL. R. J. AFFOURTIT  
- MR. RAYMOND LETT  
- MRS. HELEN ROBBINS  
- MR. ALTON G. KEEL  
- [REDACTED]  
- MR. DENNIS WHITFIELD  
- MR. ROBERT KIMMITT  
- MR. LEHMAN LI  
- MR. WILLIAM A. NISKANEN  
- MR. EDWIN M. TRUMAN  
- MR. MARK L. EDELMAN  
- MR. WILLIAM H. DRAPER, III

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Subject Interagency Group on International Economic  
Policy (IG-IEP)

Attached are the minutes of the IG-IEP meeting held on  
September 6, 1984.

  
Christopher Hicks  
Executive Secretary and  
Executive Assistant to the Secretary

Attachment

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(With Confidential Attachment)

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Summary Minutes of the IG - International Debt Meeting  
on September 6, 1984 at the Treasury Department

1. Argentina: Negotiations with the IMF and the Banks

These minutes are organized by discussion topic, summarizing agency view points and indicate where decisions were taken. David Mulford presided. Because he had to leave early, James Conrow replaced him in the chair.

2. Treasury (Mulford) opened the meeting by describing the Argentina/IMF and private bank negotiations and the calendar of events and deadlines that were relevant to both. A Fund team was currently in Buenos Aires resuming negotiations on a letter of intent. Some progress was being made but details were not available. There was some hope but no certainty that agreement could be reached this month. Finance Minister Grinspan and President Alfonsin would be in the United States for the Fund/Bank annual meeting and the U.N. General Assembly, respectively, and their presence could facilitate an agreement.

The banks were meeting with Argentina on the September 15th deadline for the repayment of a \$750 million bridge loan. At the end of the month, Argentina would have to pay almost one billion dollars to be current on its interest to the banks. It was highly unlikely that sufficient interest could be paid without new credit which would be difficult to arrange on such short notice. The important point was the degree of progress Argentina could achieve before the bank regulators (ICERC) met at the end of October.

The proper timing in dealing with this problem was extremely important. In the next few weeks, we will have a better idea of Argentina's position. There will be opportunities to consult with other governments during the annual meetings (Sept. 22-27) and he (Mulford) would be talking informally to some members of the debt deputies group whom he expected to meet in the course of his trip to Europe concerning the new Treasury security issue targeted on the foreign market. Depending on how the problem develops, we may want a SIG meeting in mid- or late-October.

Agriculture (Goldfield) asked about Alfonsin's ability to make a decision on the letter of intent. State (McCormack) thought he was still in charge but that his power had peaked a few months ago and that his opponents - the Peronists and the military was stirring once again. CIA (Ernst) felt he had the domestic strength to make a decision. Treasury said that it might be more a question of will, but that the pressures for a deal fairly soon were building up. Accelerating inflation and accumulating arrearages were getting stronger. We should allow them to work for awhile before we try to intervene more actively. NSC (Robinson) agreed with Treasury's analysis but reserved on the timing of another SIG. He thought we might have to have an earlier meeting.

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State suggested that part of the Argentina problem was the ineffectiveness of the Minister of Finance Grinspun. Treasury replied that that had to be judged from the point of view of his objectives. A case could be made that he was very effective in delaying a decision without, so far, doing Argentina very serious harm.

The Fed (Truman) was asked what would be the impact of Argentine non-payment of interest on the U.S. banking system. He replied that the failure to wipe out interest arrears, which were now twice as large as at the end of the second quarter, could be absorbed without serious damage to the balance sheets of U.S. banks. A dangerous situation could arise if another major debtor, such as Brazil, did the same thing.

### 3. The Timing of the Next Meeting

Agriculture, supported by Commerce and NSC, thought another session before the IMF/IBRD meeting would be useful to update the group on developments in Argentina and the results of the Cartagena group conference in Mar del Plata, Argentina on Sept. 13-14. Treasury (Mulford) agreed and suggested sometime in the week of Sept. 17th.

### 4. The Mexican Debt Settlement

Treasury (Conrow) pointed out that the details of the Mexican government/private bank restructuring were described in the paper that had been circulated. This is an important event because it is the first private bank multi-year rescheduling since the debt crisis began. Governments will not be rescheduling their credits to Mexico. Our position is that we are prepared to consider a Paris Club for a Mexican rescheduling when our criteria are met, i.e., that the country has performed well in the past and is expected to in the future but has a level of amortization, which by impeding development threatens debt service. Mexico was eligible but the problem was that some of the banks want to make government rescheduling a condition for the private bank agreement. We did not want to be in the position of having the private banks decide when governments should participate. In the brief discussion that ensued, State noted that apart from the rescheduling, the general situation was not very good. Mexico's policy, for example, toward foreign private investment, for example, was still one of imposing barriers in many areas. CIA was skeptical of the growth projection. Commerce noted that it had done a study of the trade effects of Mexico's adjustment on the United States and gave the Chairman the executive summary.

### 5. Venezuela

There was no discussion of the Venezuelan negotiations.

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